Restore plc

29 July 2025

Strong growth and strategic progress

Restore's H125 results highlight strong progress, with double digit growth in revenue, adjusted profit and earnings, in line with our expectations. The step up in M&A in the period reflects management's ambition to deliver shareholder value. At the same time, the Group continues to make progress towards the 20% operating margin target despite cost and end market headwinds. We make no changes to our forecasts but see scope for outperformance (organic and acquisitive) as the year progresses. We retain our 400p Fair Value estimate.

Interims confirm strong revenue growth and progress on margins

Restore's interims highlight a period of strong revenue growth (+15% to £160.1m), principally driven by acquisitions in the period. Full year expectations are unchanged and management remains confident that the Group will achieve its medium-term operating margin target of 20%, having made further progress in H125 (17.7% adjusted operating margin vs 16.9% in H124).

Information Management and Datashred leading the way

Information Management and Datashred both delivered strong revenue growth and an underlying improvement in operating margins, supported by recent acquisitions. Harrow Green revenue declined by 10%, reflecting challenging market conditions for office relocations, whilst Technology made encouraging progress (revenue +4% and a step up in profitability).

Recent M&A driving growth and underlying margin accretion

Whilst Restore has historically been an acquisitive business, there was a deliberate hiatus in M&A activity during 2023 and 2024. The first half of 2025 saw a notable shift, with three acquisitions completed for £41m with another two acquisitions completed early in H2 (Topwood and Data Shredding Services Limited).

Valuation attractive relative to historic trends and growth prospects

On our forecasts, Restore is trading on a current year P/E rating of 12.5x, having regularly traded at 20x or higher over the past decade. Compared to the long-term average rating of 16.5x, the shares are trading at a 24% discount. **We reiterate our 400p Fair Value estimate and see potential for outperformance against forecasts and a re-rating in line with continued delivery against management's ambitious growth plans.**

Key financials & valuation metrics

Year to 31 Dec (£m)	2023A	2024A	2025E	2026E	2027E
Sales	277.1	275.3	342.0	366.7	377.1
EBITDA	77.1	82.4	89.2	93.1	96.3
Adjusted PBT	30.3	34.4	39.5	43.1	46.5
FD EPS (p)	16.9	18.7	21.2	23.1	24.9
DPS (p)	5.2	5.5	5.8	6.0	6.2
Net Cash/(Debt)*	(201.3)	(229.0)	(257.1)	(235.2)	(208.6)
Net Cash/(Debt)**	(97.8)	(89.0)	(117.1)	(95.2)	(68.6)
P/E	15.7x	14.1x	12.5x	11.5x	10.6x
EV/EBITDA*	7.3x	7.1x	6.9x	6.4x	5.9x
Dividend yield	2.0%	2.1%	2.2%	2.3%	2.3%

*Source: ED analysis, IFRS 16 basis * including leases ** excluding leases, Shares priced at COB 28/07/25*

Company data

EPIC	RST.L
Price (last close)	265p
52 weeks Hi/Lo	290p/211p
Market cap	£360m
ED Fair Value / share	400p
Net cash / (debt) 2024A	£89m
Avg. daily volume (3m)	254k

Share price, p

Source: investing.com

Description

Restore is a leading provider of records management (physical document archiving), digitisation and secure recycling of paper and technology assets. In all these areas, it has a strong market position (either number 1 or 2 in the UK) and an excellent reputation across a customer base of blue-chip businesses and government/ public sector organisations. Restore is also the UK market leader in commercial relocations.

Next event

Q3 update October 2025 (est)

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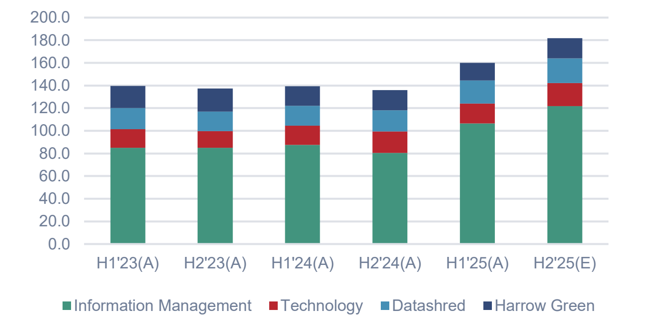
A solid underlying performance bolstered by M&A

Restore's interims confirm a period of strong revenue growth (+15%), principally driven by acquisitions in the period alongside further progress towards the Group's 20% operating margin target (17.7% adjusted operating margin versus 16.9% in H124).

This represents a robust performance, once more highlighting the strength of the core business and management's ambition to drive revenue growth and margins. This has been delivered despite some end market challenges and cost headwinds, particularly the impact of increased NIC contributions.

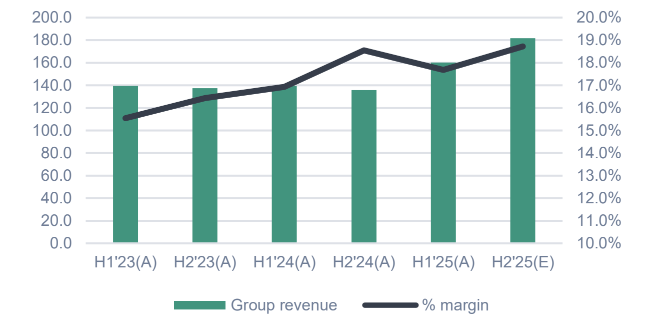
The recent acquisitions are performing well and in line with expectations, including two additional bolt-ons completed post period end. Full year expectations are unchanged and management remains confident that the Group will achieve the 20% operating margin target over the medium term.

Revenue progression by division



Source: Company, Equity Development analysis

Positive revenue and margin profile



Source: Company, Equity Development analysis

Financial and strategic highlights

- Revenue increased by 15% to £160.1m (H124: £139.4m), including a contribution of £25.9m from the Synertec and Shred-on-Site acquisitions completed in the period
- Adjusted operating profit increased to £25.5m (H124: £23.6m), reflecting increased profit in all divisions with the exception of Harrow Green
- Adjusted operating margin increased by 80bps to 17.7% (H124:16.9%), reflecting actions taken to improve profitability
- The property consolidation programme is now c.50% complete with two million boxes relocated, delivering a £1.3m cost saving in H125
- The integration of the Digital business within Information Management has delivered annualised cost savings in excess of £5m (versus the original estimate of £3m) and the business has recently been awarded a multi-million pound medical record scanning contract with Oxford University Hospitals, which will start in 2026
- The Group generated free cashflow of £22.3m in the period (cash conversion 117%), whilst leverage at the period end increased to 1.9x following £41m of acquisition spend

Divisional summary – IM and Datashred leading the way

Information Management and Datashred both delivered strong revenue growth and an underlying improvement in operating margins, supported by recent acquisitions. Harrow Green revenue declined by 10%, reflecting challenging market conditions for office relocations, whilst Technology made encouraging progress (revenue +4% and a step up in profitability).

The table below summarises the H1 performance as well as our divisional forecasts for FY25E to FY27E. We have made some minor changes to the divisional growth assumptions, but our Group revenue and profit forecasts are unchanged.

Divisional results

Year to 31 Dec (£m)	H1'24(A)	H2'24(A)	2024A	H1'25(A)	H2'25(E)	2025E	2026E	2027E
Revenue								
Information Management	87.5	80.4	167.9	106.5	121.9	228.4	248.0	253.2
Datashred	17.5	18.5	36.0	20.2	21.8	42.0	43.7	45.4
Harrow Green	17.4	17.9	35.3	15.7	18.0	33.7	35.1	36.6
Technology	17.0	19.1	36.1	17.7	20.2	37.9	39.8	41.8
	139.4	135.9	275.3	160.1	181.9	342.0	366.7	377.1
Revenue growth								
Information Management	*3%*	*-5%*	*-1%*	*22%*	*51.6%*	*36.0%*	*8.6%*	*2.1%*
Datashred	*-6%*	*7%*	*0%*	*15%*	*18%*	*16.7%*	*4.0%*	*4.0%*
Harrow Green	*-11%*	*-12%*	*-12%*	*-10%*	*1%*	*-4.5%*	*4.2%*	*4.1%*
Technology	*4%*	*29%*	*16%*	*4%*	*6%*	*5.0%*	*5.0%*	*5.0%*
Group	*0%*	*-1%*	*-1%*	*15%*	*34%*	*24.2%*	*7.2%*	*2.8%*
Operating profit								
Information Management	24.6	21.2	45.8	25.5	28.2	53.7	56.6	58.6
Datashred	1.2	2.5	3.7	2.1	2.3	4.4	4.6	5.0
Harrow Green	1.2	0.7	1.9	0.3	0.7	1.0	1.4	1.8
Technology	0.0	1.8	1.8	1.2	1.3	2.5	3.0	3.6
Central Costs	-3.4	-1.0	-4.4	-3.6	-1.6	-5.2	-5.4	-5.7
	23.6	25.2	48.8	25.5	30.9	56.4	60.1	63.3
Operating margin								
Information Management	*28.1%*	*26.4%*	*27.3%*	*25.0%*	*23.1%*	*23.5%*	*22.8%*	*23.2%*
IM (adjusted for postage)	28.1%	26.4%	27.3%	28.1%	26.9%	27.5%	27.5%	28.0%
Datashred	*6.9%*	*13.5%*	*10.3%*	*10.4%*	*10.6%*	*10.5%*	*10.5%*	*11.0%*
Harrow Green	*6.9%*	*3.9%*	*5.4%*	*1.9%*	*3.9%*	*3.0%*	*4.0%*	*5.0%*
Technology	*0.0%*	*9.4%*	*5.0%*	*6.8%*	*6.3%*	*6.5%*	*7.5%*	*8.5%*
Group	*16.9%*	*18.5%*	*17.7%*	*15.9%*	*17.0%*	*16.5%*	*16.4%*	*16.8%*
Group (adjusted for postage)	*16.9%*	*18.5%*	*17.7%*	*17.7%*	*18.7%*	*18.2%*	*18.6%*	*19.0%*

Source: Company actuals, Equity Development forecasts

Information Management

Information Management, Restore's largest division, recorded a 22% increase in revenue to £106.5m (H124: £87.5m), driven by a first contribution from Synertec (£24.6m contribution in the period).

The core records management activities performed strongly, with a broadly stable number of boxes stored, once more demonstrating the quality of its strong recurring revenue base. The property consolidation programme has progressed as expected. The new Markham Vale site in Chesterfield is approaching capacity and the Connect 84 site in Durham is approximately half-full. The project to relocate four million boxes is about half-way complete and a third site will be identified in the next year to complete the exercise.

The division's digital activities continue to undergo significant change and revenue was weak as a result of the previously reported contract loss at the end of 2024, as well as lower bulk scanning activity in the period.

The outlook for the digital business looks brighter, with £5m of annualised cost savings now delivered and contract momentum moving in the right direction. A new multi-million pound contract with Oxford University Hospitals will start in 2026 and management remains confident that the business is well placed to take advantage of organic growth opportunities and deliver a significant improvement in margins.

Datashred

Datashred reported a 15% increase in revenue to £20.2m (H124: £17.5m), through a combination of organic and acquisitive growth.

This business is performing well, delivering industry leading KPIs (e.g. in terms of visits per vehicle per day), with less inherent volatility following the previously announced hedging of the paper price for 50% of its recycled paper volumes.

Datashred is an acquisitive business operating in a highly fragmented market. Four businesses have been acquired so far this year (see M&A section below).

Harrow Green

In a very challenging market, Harrow Green's revenue declined by 10% to £15.7m (H124: £17.4m), making a small profit in the period.

There are some signs that this market may be picking up and management remains hopeful that the business will deliver an improved full year performance compared with last year.

Technology

Technology made further progress in the period and reported 4% revenue growth to £17.7m (H124: £17.0m). The divisional operating margin of 7% represented a significant improvement on a break even position for H124.

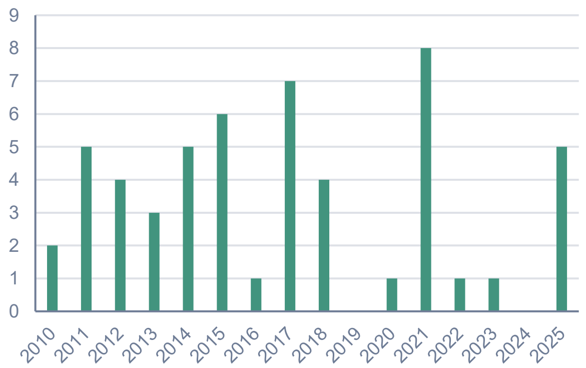
Strategic progress includes the installation of a new operational IT system, whilst the sales focus has been on major Value-Added IT Resellers (VARs). Management believes that Restore is the largest partner for VARs in the UK. It recently completed a major project for a Government department to process 35,000 end-of-life tablets.

Recent upturn in M&A activity driving growth

Whilst Restore has historically been an acquisitive business, there was a deliberate hiatus in M&A activity during 2023 and 2024 following management changes and Charles Skinner's return as CEO in September 2023. The key objective in 2024 was margin enhancement via realignment of the cost base (including a significant streamlining of Head Office) and a strengthening of divisional leadership, alongside a focus on cash generation.

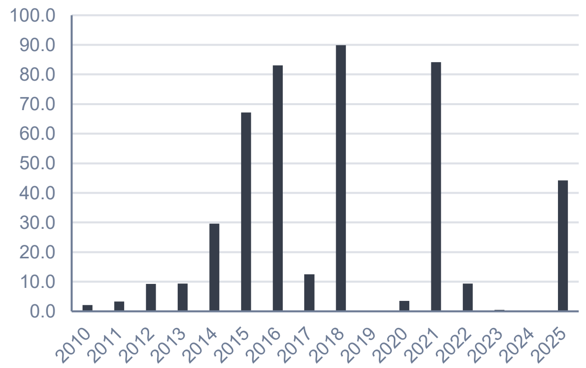
The first half of 2025 saw a notable shift, with three acquisitions completed for £41m across Information Management (Synertec) and Datashred (Shred on Site and Shred First) with a further two acquisitions completed early in H2 (Topwood and Data Shredding Services Limited).

Number of acquisitions by year



Source: Company, ED analysis

Value of acquisitions by year (£m)



Source: Company, ED analysis

Recap of Synertec acquisition (March 2025)

Restore paid an initial cash consideration of £22m plus £11m of acquired debt for Synertec (Holdings) Ltd. Deferred consideration will also be payable based on Synertec's future profits in 2028 and 2029.

Synertec is a long-established market leader in document solutions and processes. Synertec sends communications both electronically and physically on behalf of major public sector and commercial organisations, including around 75% of NHS Trusts. A proprietary software platform captures data, transforms it into the required format, and delivers it to the end recipient either electronically or via print and mail. The company operates from four sites in the UK: leasehold print facilities in Bristol, Milton Keynes and Warrington, and a freehold site near Taunton.

Synertec's revenue for the year to 31st March '25 was c.£70m, of which around 60% relates to postage costs for physical communications. Excluding the pass-through of these postage costs, operating margins are expected to be c. 20% and therefore consistent with Group targets.

Datashred acquisitions (April and July 2025)

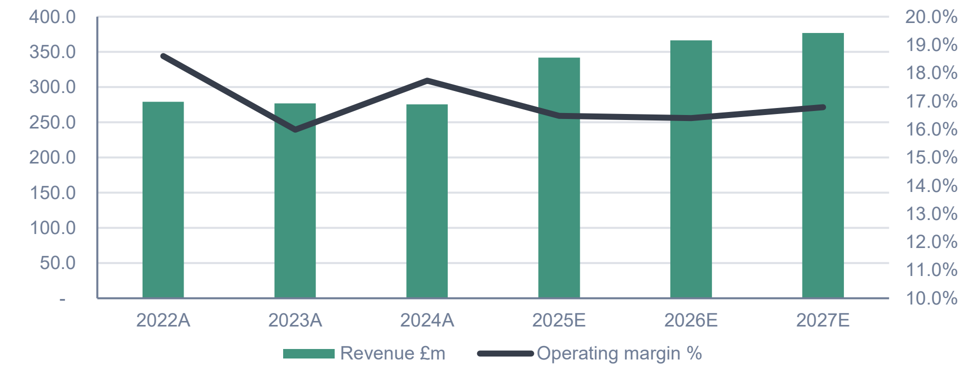
Restore announced two bolt-on acquisitions within its Datashred division within the May 13th Trading Update, including the £7.9m acquisition of Shred-on-Site. This business provides on-site shredding to over 3,900 customers, predominantly in the South East of England with a fleet of 34 vehicles. The business is expected to contribute revenue of c.£3.5m over the remainder of FY25. Restore also acquired the trade and assets of Shred First UK, a small shredding operator based in Gravesend, for a cash consideration of £0.3m in April. Two additional shredding bolt-ons were completed in early July, Topwood Limited (for an initial £2.8m) and Data Shredding Services Limited (for £0.2m).

Continued progress towards 20% operating margin target

Restore reported operating margins of >20% in 2018 and 2019 and management has set a realistic but stretching target to rebuild operating margins to >20% over the medium term. We are confident that this is achievable and note good progress in FY24 (operating margin of 17.7%, up from 16.0% in FY23) and H125 (17.7% on an adjusted basis).

Given the high proportion of pass-through postage revenues within the Synertec business, the company provides a postage-adjusted operating profit measure, which we consider the best indicator of underlying progress. We show the operating margin trend both ways in the charts below. The first chart includes the postage charges and is therefore somewhat distorted. The second chart excludes the pass-through postage charges and, in our view, is the best representation of underlying performance

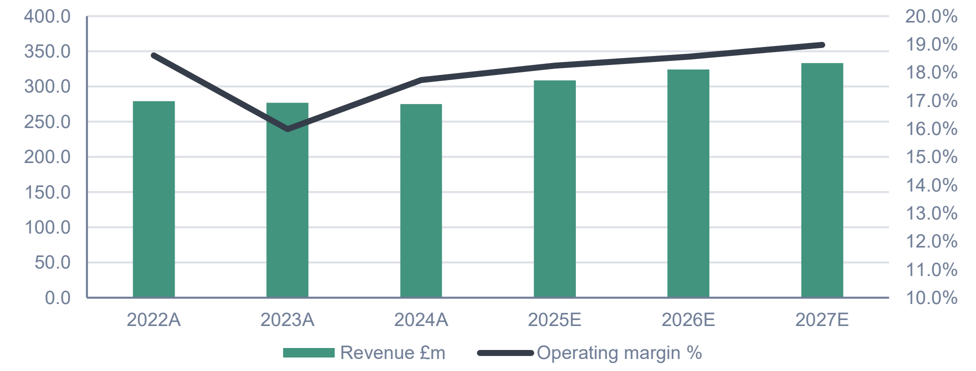
Operating margin trend (FY25E to FY27E inc. Synertec postage)



Source: Company, ED analysis

Our adjusted forecasts show the Group operating margin rising to 19% in FY27 and we consider this an area for potential outperformance against forecasts.

Operating margin trend (normalised to exclude Synertec postage)



Source: Company, ED analysis

Compelling valuation – Fair Value 400p

On our forecasts, Restore is trading on a current year P/E rating of 12.5x, having regularly traded at 20x or higher over the past decade. Compared to the long-term average rating of 16.5x (see chart below), the shares are trading at a 24% discount.

Restore P/E rating (Next 12 months) over time – average 16.5x

Source: Koyfin, ED analysis

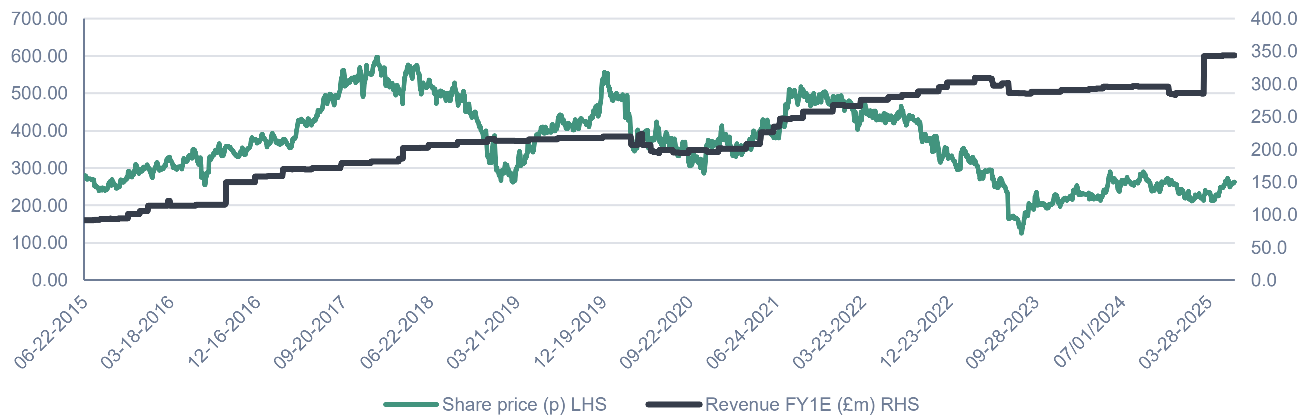
In fact, the shares are no higher today than they were ten years ago despite the significant scale that has been added to the Group over that period.

Revenue has multiplied 3x over past decade

Revenue in FY25 is forecast to be >3x greater than it was in 2015 even after stripping out postage pass-through revenue within Synertec. Excluding Synertec postage, our revenue forecast for FY25 is c.£309m.

The shares are still some 50% below their post COVID peak (508p in August 2021) and further still from the late 2017 peak of almost 600p.

Restore share price versus revenue forecast (FY1) over past ten years



Source: Koyfin, ED analysis

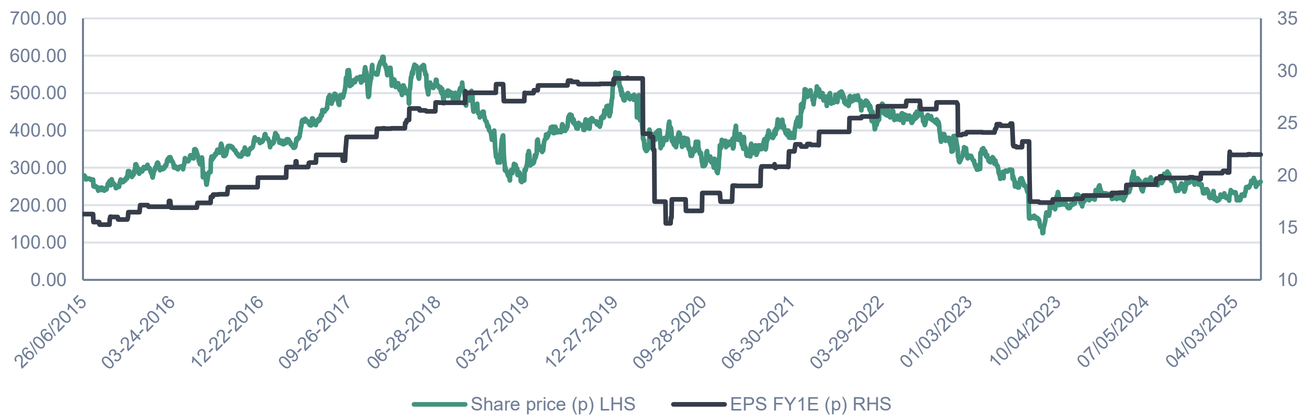
But EPS remains below previous peak

Whilst revenue is significantly higher than historic levels, EPS remains below its historic peak (19p in FY24 versus 24p in FY22) and EPS growth is clearly a key driver of share price performance.

EPS has lagged revenue growth over the past decade as margins have softened and some historic acquisitions (funded by debt and equity) have underperformed, with a dilutive effect on EPS (through increased share count and a higher interest charge).

The chart below shows the share price compared to consensus EPS forecasts over the past ten years. Forecasts were rebased in 2020 (COVID) and again in 2023 (underperformance of Technology acquisitions under previous management team).

Restore share price versus EPS forecast (FY1) over past ten years



Source: Koyfin, ED analysis

EPS trajectory back on track - historically a driver of share price performance

In our view, Restore is now well positioned to deliver consistent EPS growth under a highly experienced management team with a strong track record of delivery.

The period from 2015 to 2018 on the chart above shows consistent earnings growth - and outperformance versus market expectations - being rewarded with significant share price performance.

The current management team (since Charles Skinner's return in 2023) initially stabilised earnings, followed by a solid improvement in margins in FY24. FY25 is seeing a return to significant revenue growth, driven by earnings enhancing M&A, and margin improvement. This can be seen in the recovery in the EPS line on the chart above but this has not yet translated into a notable upturn in the share price.

Our 400p Fair Value estimate represents an FY26 P/E rating of c.17x, slightly above Restore's ten-year average rating (16.5x). On FY25 forecasts, a 400p share price equates to a P/E rating of c.19x, falling to c.17x.

This is before factoring in the potential for further outperformance in terms of Restore's revenue and margin growth (our underlying 19% operating margin forecast for FY27 is still comfortably below management's medium term 20% target).

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